

**THE METHODIST HOME
ORANGEBURG, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING MAY 10, 1996
AC# 3-MHO-L6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 10, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with The Methodist Home, for the contract periods beginning May 10, 1996 and for the seven month cost report period ended November 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by The Methodist Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and The Methodist Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
June 10, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

THE METHODIST HOME
Computation of Rate Change
For the Contract Periods
Beginning May 10, 1996
AC# 3-MHO-L6

	05/10/96- <u>09/30/96</u>	10/01/96- <u>11/30/96</u>	12/01/96- <u>09/30/97</u>	10/01/97- <u>09/30/98</u>
Interim reimbursement rate (1)	\$78.37	\$85.00	\$80.25	\$84.14
Adjusted reimbursement rate	<u>73.91</u>	<u>77.04</u>	<u>80.37</u>	<u>84.33</u>
Decrease (Increase) in reimbursement rate	\$ <u>4.46</u>	\$ <u>7.96</u>	\$ <u>(.12)</u>	\$ <u>(.19)</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

THE METHODIST HOME
Computation of Adjusted Reimbursement Rate
For the Contract Period May 10, 1996 Through September 30, 1996
AC# 3-MHO-L6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$43.01	\$35.39	\$35.39
Dietary	<u>-</u>	<u>11.65</u>	<u>8.53</u>	<u>8.53</u>
Subtotal	<u>\$ -</u>	54.66	43.92	43.92
Laundry/Housekeeping/Maint.	\$ -	10.47	7.17	7.17
Administration & Med. Rec.	<u>.04</u>	<u>7.82</u>	<u>7.86</u>	<u>7.82</u>
Subtotal	<u>\$.04</u>	72.95	<u>\$58.95</u>	58.91
<u>Costs Not Subject to Standards:</u>				
Utilities		3.41		3.41
Special Services		.59		.59
Medical Supplies & Oxygen		2.40		2.40
Taxes and Insurance		.43		.43
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$79.81</u>		65.77
Inflation Factor (N/A)				-
Cost of Capital				8.10
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.04
Cost Incentive - For Gen. Serv. & Dietary				-
Effect of \$1.50 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$73.91</u>

THE METHODIST HOME
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1996 Through November 30, 1996
AC# 3-MHO-L6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$43.01	\$37.60	\$37.60
Dietary	<u>-</u>	<u>11.65</u>	<u>8.59</u>	<u>8.59</u>
Subtotal	<u>\$ -</u>	54.66	46.19	46.19
Laundry/Housekeeping/Maint.	\$ -	10.47	7.04	7.04
Administration & Med. Rec.	<u>.68</u>	<u>7.87</u>	<u>8.55</u>	<u>7.87</u>
Subtotal	<u>\$.68</u>	73.00	<u>\$61.78</u>	61.10
<u>Costs Not Subject to Standards:</u>				
Utilities		3.41		3.41
Special Services		.59		.59
Medical Supplies & Oxygen		2.40		2.40
Taxes and Insurance		.43		.43
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$79.86</u>		67.96
Inflation Factor (N/A)*				-
Cost of Capital				8.15
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.68
Cost Incentive - For Gen. Serv. & Dietary				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$77.04</u>

*See Memo Adjustment #2A

THE METHODIST HOME

Computation of Adjusted Reimbursement Rate
For the Contract Periods December 1, 1996 Through September 30, 1997
AC# 3-MHO-L6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$43.01	\$37.60	\$37.60
Dietary	<u>-</u>	<u>11.65</u>	<u>8.59</u>	<u>8.59</u>
Subtotal	<u>\$ -</u>	54.66	46.19	46.19
Laundry/Housekeeping/Maint.	\$ -	10.47	7.04	7.04
Administration & Med. Rec.	<u>.68</u>	<u>7.87</u>	<u>8.55</u>	<u>7.87</u>
Subtotal	<u>\$.68</u>	73.00	<u>\$61.78</u>	61.10
<u>Costs Not Subject to Standards:</u>				
Utilities		3.41		3.41
Special Services		.59		.59
Medical Supplies & Oxygen		2.40		2.40
Taxes and Insurance		.43		.43
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$79.86</u>		67.96
Inflation Factor (4.90%)				3.33
Cost of Capital				8.15
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.68
Cost Incentive - For Gen. Serv. & Dietary				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$80.37</u>

THE METHODIST HOME

Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-MHO-L6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$43.01	\$39.90	
Dietary		11.65	9.01	
Laundry/Housekeeping/Maint.		<u>10.47</u>	<u>7.38</u>	
Subtotal	\$ <u>-</u>	65.13	56.29	\$56.29
Administration & Med. Rec.	\$ <u>1.20</u>	<u>8.00</u>	<u>9.20</u>	<u>8.00</u>
Subtotal		73.13	<u>\$65.49</u>	64.29
<u>Costs Not Subject to Standards:</u>				
Utilities		3.41		3.41
Special Services		.59		.59
Medical Supplies & Oxygen		2.40		2.40
Taxes and Insurance		.43		.43
Legal Fees		<u>.03</u>		<u>.03</u>
TOTAL		<u>\$79.99</u>		71.15
Inflation Factor (4.40%)				3.13
Cost of Capital				8.35
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.20
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.50</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$84.33</u>

THE METHODIST HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Period May 10, 1996 Through September 30, 1996
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Debit	Adjustments Credit	Adjusted <u>Totals</u>
General Services	\$1,537,503	\$ 421 (2) 3,917 (7) 1,159 (8) 19,318 (8) 5,810 (9) 28,610 (10)	\$ 248 (7) 1,741 (10) 89,366 (20)	\$1,505,383
Dietary	446,795	1,628 (3) 3,066 (8) 1,620 (10)	4,180 (7) 41,145 (10)	407,784
Laundry	85,185	778 (2) 893 (3) 925 (4) 754 (8) 1,063 (10) 13,113 (19)	34 (7) 13,697 (20)	88,980
Housekeeping	165,323	1,007 (3) 2,699 (8) 4,038 (10) 166,576 (19) 7,430 (21)	403 (7) 170,180 (20) 3,648 (22)	172,842
Maintenance	101,580	2,042 (2) 1,809 (8) 2,712 (10) 206,756 (19) 4,533 (21)	305 (7) 212,269 (20) 2,195 (22)	104,663
Administration & Medical Records	287,316	1,565 (7) 249 (8) 5,405 (8) 13,007 (9) 8,374 (10) 428 (10) 109,731 (19) 3,057 (21) 2,142 (29)	15,711 (1) 66 (7) 140,298 (20) 1,409 (22)	273,790

THE METHODIST HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Period May 10, 1996 Through September 30, 1996
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Utilities	117,664	2,068 (13) 239,344 (19) 5,245 (21)	242,298 (20) 2,505 (22)	119,518
Special Services	15,639	643 (16) 3,130 (16) 1,089 (16)	-	20,501
Medical Supplies & Oxygen	95,652	1,340 (3) 3,698 (5)	4,868 (3) 2,948 (4) 3,698 (5) 5,038 (15)	84,138
Taxes and Insurance	19,338	37,835 (19) 859 (21)	7,539 (2) 35,039 (20) 314 (22)	15,140
Legal Fees	1,327	591 (19) 16 (21)	731 (20) 7 (22)	1,196
Cost of Capital	268,849	2,871 (6) 2,645 (11) 5,351 (12) 1,804 (18) 9,145 (19) 17,503 (21) 2,633 (30)	3,063 (17) 8,676 (22) 3,219 (23) 3,203 (24) 9,022 (25)	283,618
Subtotal	3,142,171	964,445	1,029,063	3,077,553
Ancillary	49,989	2,023 (4)	-	52,012

THE METHODIST HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Period May 10, 1996 Through September 30, 1996
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	1,780,305	15,711 (1) 4,298 (2) 4,367 (8) 3,378 (10) 807 (11) 1,351 (12) 180,897 (14) 5,038 (15) 3,063 (17) 3,473 (18) 903,878 (20) 18,754 (22) 3,219 (23) 3,203 (24) 9,022 (25)	1,526 (7) 18,817 (9) 2,068 (13) 4,862 (16) 783,091 (19) 38,643 (21) 2,142 (29) 2,633 (30)	2,086,982
Total Operating Expenses	<u>\$4,972,465</u>	<u>\$2,126,927</u>	<u>\$1,882,845</u>	<u>\$5,216,547</u>
TOTAL PATIENT DAYS	<u>26,698</u>	<u>8,300 (1A)</u>	<u>-</u>	<u>34,998</u>
TOTAL BEDS	<u>176</u>			

THE METHODIST HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Period October 1, 1996 Through November 30, 1996
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,537,503	\$ 421 (2) 3,917 (7) 1,159 (8) 19,318 (8) 5,810 (9) 28,610 (10)	\$ 248 (7) 1,741 (10) 89,366 (20)	\$1,505,383
Dietary	446,795	1,628 (3) 3,066 (8) 1,620 (10)	4,180 (7) 41,145 (10)	407,784
Laundry	85,185	778 (2) 893 (3) 925 (4) 754 (8) 1,063 (10) 13,113 (19)	34 (7) 13,697 (20)	88,980
Housekeeping	165,323	1,007 (3) 2,699 (8) 4,038 (10) 166,576 (19) 7,430 (21)	403 (7) 170,180 (20) 3,648 (22)	172,842
Maintenance	101,580	2,042 (2) 1,809 (8) 2,712 (10) 206,756 (19) 4,533 (21)	305 (7) 212,269 (20) 2,195 (22)	104,663
Administration & Medical Records	289,024	1,565 (7) 249 (8) 5,405 (8) 13,007 (9) 8,374 (10) 428 (10) 109,731 (19) 3,057 (21) 2,142 (29)	15,711 (1) 66 (7) 140,298 (20) 1,409 (22)	275,498

THE METHODIST HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Period October 1, 1996 Through November 30, 1996
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Utilities	117,664	2,068 (13) 239,344 (19) 5,245 (21)	242,298 (20) 2,505 (22)	119,518
Special Services	15,639	643 (16) 3,130 (16) 1,089 (16)	-	20,501
Medical Supplies & Oxygen	95,652	1,340 (3) 3,698 (5)	4,868 (3) 2,948 (4) 3,698 (5) 5,038 (15)	84,138
Taxes and Insurance	19,338	37,835 (19) 859 (21)	7,539 (2) 35,039 (20) 314 (22)	15,140
Legal Fees	1,327	591 (19) 16 (21)	731 (20) 7 (22)	1,196
Cost of Capital	270,451	2,871 (6) 2,645 (11) 5,351 (12) 1,804 (18) 9,145 (19) 17,503 (21) 2,633 (30)	3,063 (17) 8,676 (22) 3,219 (23) 3,203 (24) 9,160 (26)	285,082
Subtotal	3,145,481	964,445	1,029,201	3,080,725
Ancillary	49,989	2,023 (4)	-	52,012

THE METHODIST HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Period October 1, 1996 Through November 30, 1996
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	1,776,995	15,711 (1) 4,298 (2) 4,367 (8) 3,378 (10) 807 (11) 1,351 (12) 180,897 (14) 5,038 (15) 3,063 (17) 3,473 (18) 903,878 (20) 18,754 (22) 3,219 (23) 3,203 (24) 9,160 (26)	1,526 (7) 18,817 (9) 2,068 (13) 4,862 (16) 783,091 (19) 38,643 (21) 2,142 (29) 2,633 (30)	2,083,810
Total Operating Expenses	<u>\$4,972,465</u>	<u>\$2,127,065</u>	<u>\$1,882,983</u>	<u>\$5,216,547</u>
TOTAL PATIENT DAYS	<u>26,698</u>	<u>8,300 (1A)</u>	<u>-</u>	<u>34,998</u>
TOTAL BEDS	<u>176</u>			

THE METHODIST HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Periods December 1, 1996 Through September 30, 1997
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Debit	Adjustments Credit	Adjusted <u>Totals</u>
General Services	\$1,537,503	\$ 421 (2) 3,917 (7) 1,159 (8) 19,318 (8) 5,810 (9) 28,610 (10)	\$ 248 (7) 1,741 (10) 89,366 (20)	\$1,505,383
Dietary	446,795	1,628 (3) 3,066 (8) 1,620 (10)	4,180 (7) 41,145 (10)	407,784
Laundry	85,185	778 (2) 893 (3) 925 (4) 754 (8) 1,063 (10) 13,113 (19)	34 (7) 13,697 (20)	88,980
Housekeeping	165,323	1,007 (3) 2,699 (8) 4,038 (10) 166,576 (19) 7,430 (21)	403 (7) 170,180 (20) 3,648 (22)	172,842
Maintenance	101,580	2,042 (2) 1,809 (8) 2,712 (10) 206,756 (19) 4,533 (21)	305 (7) 212,269 (20) 2,195 (22)	104,663
Administration & Medical Records	289,024	1,565 (7) 249 (8) 5,405 (8) 13,007 (9) 8,374 (10) 428 (10) 109,731 (19) 3,057 (21) 2,142 (29)	15,711 (1) 66 (7) 140,298 (20) 1,409 (22)	275,498

THE METHODIST HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Periods December 1, 1996 Through September 30, 1997
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Utilities	117,664	2,068 (13) 239,344 (19) 5,245 (21)	242,298 (20) 2,505 (22)	119,518
Special Services	15,639	643 (16) 3,130 (16) 1,089 (16)	-	20,501
Medical Supplies & Oxygen	95,652	1,340 (3) 3,698 (5)	4,868 (3) 2,948 (4) 3,698 (5) 5,038 (15)	84,138
Taxes and Insurance	19,338	37,835 (19) 859 (21)	7,539 (2) 35,039 (20) 314 (22)	15,140
Legal Fees	1,327	591 (19) 16 (21)	731 (20) 7 (22)	1,196
Cost of Capital	270,535	2,871 (6) 2,645 (11) 5,351 (12) 1,804 (18) 9,145 (19) 17,503 (21) 2,633 (30)	3,063 (17) 8,676 (22) 3,219 (23) 3,203 (24) 9,244 (27)	285,082
Subtotal	3,145,565	964,445	1,029,285	3,080,725
Ancillary	49,989	2,023 (4)	-	52,012

THE METHODIST HOME

Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Periods December 1, 1996 Through September 30, 1997
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	1,776,911	15,711 (1) 4,298 (2) 4,367 (8) 3,378 (10) 807 (11) 1,351 (12) 180,897 (14) 5,038 (15) 3,063 (17) 3,473 (18) 903,878 (20) 18,754 (22) 3,219 (23) 3,203 (24) 9,244 (27)	1,526 (7) 18,817 (9) 2,068 (13) 4,862 (16) 783,091 (19) 38,643 (21) 2,142 (29) 2,633 (30)	2,083,810
Total Operating Expenses	<u>\$4,972,465</u>	<u>\$2,127,149</u>	<u>\$1,883,067</u>	<u>\$5,216,547</u>
TOTAL PATIENT DAYS	<u>*34,998</u>	<u>-</u>	<u>-</u>	<u>34,998</u>

*Adjusted to 97% occupancy

TOTAL BEDS 176

THE METHODIST HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,537,503	\$ 421 (2) 3,917 (7) 1,159 (8) 19,318 (8) 5,810 (9) 28,610 (10)	\$ 248 (7) 1,741 (10) 89,366 (20)	\$1,505,383
Dietary	446,795	1,628 (3) 3,066 (8) 1,620 (10)	4,180 (7) 41,145 (10)	407,784
Laundry	85,185	778 (2) 893 (3) 925 (4) 754 (8) 1,063 (10) 13,113 (19)	34 (7) 13,697 (20)	88,980
Housekeeping	165,323	1,007 (3) 2,699 (8) 4,038 (10) 166,576 (19) 7,430 (21)	403 (7) 170,180 (20) 3,648 (22)	172,842
Maintenance	101,580	2,042 (2) 1,809 (8) 2,712 (10) 206,756 (19) 4,533 (21)	305 (7) 212,269 (20) 2,195 (22)	104,663
Administration & Medical Records	295,686	1,565 (7) 249 (8) 5,405 (8) 13,007 (9) 8,374 (10) 428 (10) 109,731 (19) 3,057 (21)	15,711 (1) 66 (7) 140,298 (20) 1,409 (22)	280,018

THE METHODIST HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Utilities	117,664	2,068 (13) 239,344 (19) 5,245 (21)	242,298 (20) 2,505 (22)	119,518
Special Services	15,639	643 (16) 3,130 (16) 1,089 (16)	-	20,501
Medical Supplies & Oxygen	95,652	1,340 (3) 3,698 (5)	4,868 (3) 2,948 (4) 3,698 (5) 5,038 (15)	84,138
Taxes and Insurance	19,338	37,835 (19) 859 (21)	7,539 (2) 35,039 (20) 314 (22)	15,140
Legal Fees	1,327	591 (19) 16 (21)	731 (20) 7 (22)	1,196
Cost of Capital	275,084	2,871 (6) 2,645 (11) 5,351 (12) 1,804 (18) 9,145 (19) 17,503 (21) 2,633 (30)	3,063 (17) 8,676 (22) 3,219 (23) 3,203 (24) 6,683 (28)	292,192
Subtotal	3,156,776	962,303	1,026,724	3,092,355
Ancillary	49,989	2,023 (4)	-	52,012

THE METHODIST HOME

Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-MHO-L6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	1,765,700	15,711 (1) 4,298 (2) 4,367 (8) 3,378 (10) 807 (11) 1,351 (12) 180,897 (14) 5,038 (15) 3,063 (17) 3,473 (18) 903,878 (20) 18,754 (22) 3,219 (23) 3,203 (24) 6,683 (28)	1,526 (7) 18,817 (9) 2,068 (13) 4,862 (16) 783,091 (19) 38,643 (21) 2,633 (30)	2,072,180
Total Operating Expenses	<u>\$4,972,465</u>	<u>\$2,122,446</u>	<u>\$1,878,364</u>	<u>\$5,216,547</u>
TOTAL PATIENT DAYS	<u>*34,998</u>	<u>-</u>	<u>-</u>	<u>34,998</u>

*Adjusted to 97% occupancy

TOTAL BEDS 176

THE METHODIST HOME
Adjustment Report
Cost Report Period Ended November 30, 1996
AC# 3-MHO-L6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration	\$ 15,711	\$ 15,711
	To disallow expense not related to patient care HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
2	Nursing	421	
	Laundry	778	
	Maintenance	2,042	
	Nonallowable	4,298	
	Taxes, Insurance & Licenses		7,539
	To report auto insurance in the proper cost centers HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Dietary	1,628	
	Laundry	893	
	Housekeeping	1,007	
	Medical Supplies & Oxygen - Oxygen	1,340	
	Medical Supplies & Oxygen		4,868
	To reclassify expenses to the proper cost centers DH&HS Expense Checklist HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Laundry	925	
	Ancillary	2,023	
	Medical Supplies & Oxygen		2,948
	To report expenses in the proper cost centers DH&HS Expense Checklist State Plan, Attachment 4.19D		
5	Medical Supplies & Oxygen - Oxygen	3,698	
	Medical Supplies & Oxygen		3,698
	To reclassify oxygen expense DH&HS Expense Checklist State Plan, Attachment 4.19D		

THE METHODIST HOME
Adjustment Report
Cost Report Period Ended November 30, 1996
AC# 3-MHO-L6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Fixed Assets	232,138	
	Cost of Capital - Depreciation Expense	2,871	
	Accumulated Depreciation		2,871
	Other Equity		232,138
	To adjust fixed assets to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Other Equity	1,280	
	Nursing	3,917	
	Administration	1,565	
	Restorative		248
	Dietary		4,180
	Laundry		34
	Housekeeping		403
	Maintenance		305
	Medical Records		66
	Nonallowable		1,526
	To properly charge salaries applicable to the prior period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
8	Nursing	19,318	
	Restorative	1,159	
	Dietary	3,066	
	Laundry	754	
	Housekeeping	2,699	
	Maintenance	1,809	
	Administration	5,405	
	Medical Records	249	
	Nonallowable	4,367	
	Accrued Salaries		38,826
	To properly charge salaries applicable to the current period HIM-15-1, Section 2302.1 State Plan, Attachment 4.19D		
9	Restorative	5,810	
	Administration	13,007	
	Nonallowable		18,817
	To properly classify salary expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

THE METHODIST HOME
Adjustment Report
Cost Report Period Ended November 30, 1996
AC# 3-MHO-L6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nursing	28,610	
	Dietary	1,620	
	Laundry	1,063	
	Housekeeping	4,038	
	Maintenance	2,712	
	Administration	8,374	
	Medical Records	428	
	Nonallowable	3,378	
	Restorative		1,741
	Dietary		41,145
	Other Equity		7,337
	To adjust fringe benefits and related allocation to allowable HIM-15-1, Sections 2145 and 2304 State Plan, Attachment 4.19D		
11	Cost of Capital - Amortization Expense	2,645	
	Nonallowable - Apartments	807	
	Other Equity		3,452
	To record the amortization of pre-opening costs HIM-15-1, Section 2132		
12	Cost of Capital - Amortization Expense	5,351	
	Nonallowable - Apartments	1,351	
	Loan Cost		6,702
	To adjust amortization expense to allowable HIM-15-1, Section 212.1 State Plan, Attachment 4.19D		
13	Utilities	2,068	
	Nonallowable Vending		2,068
	To offset vending income against nonallowable vending expense to the extent of the expense HIM-15-1, Section 2328		
14	Nonallowable - Residential Depreciation Expense	180,897	
	Other Equity		180,897
	To adjust depreciation expense to expense per the depreciation schedule HIM-15-1, Section 2304		

THE METHODIST HOME
Adjustment Report
Cost Report Period Ended November 30, 1996
AC# 3-MHO-L6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Nonallowable Medical Supplies & Oxygen	5,038	5,038
	To remove special ancillary services reimbursed by Medicare State Plan, Attachment 4.19D		
16	Physical Therapy Speech Therapy Occupational Therapy Nonallowable	643 3,130 1,089	4,862
	To adjust co-insurance for Medicare Part B services to allowable State Plan, Attachment 4.19D		
17	Nonallowable Cost of Capital - Depreciation Expense	3,063	3,063
	To reverse cost report adjustment #4 and capitalize pre-opening interest HIM-15-1, Section 206 State Plan, Attachment 4.19D		
18	Cost of Capital - Depreciation Expense Nonallowable - Residential Depreciation Other Equity	1,804 3,473	5,277
	To allocate and record shared maintenance depreciation expense HIM-15-1, Section 2304		
19	Laundry Housekeeping Maintenance Administration Utilities Taxes and Insurance Legal Cost of Capital Nonallowable	13,113 166,576 206,756 109,731 239,344 37,835 591 9,145	783,091
	To reverse DH&HS adjustment to remove indirect costs applicable to non-nursing home cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

THE METHODIST HOME
Adjustment Report
Cost Report Period Ended November 30, 1996
AC# 3-MHO-L6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
20	Nonallowable	903,878	
	Restorative		89,366
	Laundry		13,697
	Housekeeping		170,180
	Maintenance		212,269
	Administration		140,298
	Utilities		242,298
	Taxes and Insurance		35,039
	Legal		731
	To remove indirect costs applicable to non-nursing home cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
21	Housekeeping	7,430	
	Maintenance	4,533	
	Administration	3,057	
	Utilities	5,245	
	Taxes and Insurance	859	
	Legal	16	
	Cost of Capital	17,503	
	Nonallowable		38,643
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
22	Nonallowable	18,754	
	Housekeeping		3,648
	Maintenance		2,195
	Administration		1,409
	Utilities		2,505
	Taxes and Insurance		314
	Legal		7
	Cost of Capital		8,676
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

THE METHODIST HOME
Adjustment Report
Cost Report Period Ended November 30, 1996
AC# 3-MHO-L6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	
23	Accumulated Depreciation	128,429	
	Nonallowable	3,219	
	Cost of Capital		3,219
	Other Equity		128,429
	To adjust depreciation expense and accumulated depreciation to comply with cost of capital policy State Plan, Attachment 4.19D		
24	Nonallowable	3,203	
	Cost of Capital		3,203
	To adjust amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
25	Nonallowable	9,022	
	Cost of Capital		9,022
	To adjust capital return to allowable State Plan, Attachment 4.19D (For the period 5/10/96 - 9/30/96 only)		
26	Nonallowable	9,160	
	Cost of Capital		9,160
	To adjust capital return to allowable State Plan, Attachment 4.19D (For the period 10/01/96 - 11/30/96 only)		
27	Nonallowable	9,244	
	Cost of Capital		9,244
	To adjust capital return to allowable State Plan, Attachment 4.19D (For the periods 12/01/96 - 9/30/97 only)		
28	Nonallowable	6,683	
	Cost of Capital		6,683
	To adjust capital return to allowable State Plan, Attachment 4.19D (For the periods 10/01/97 - 9/30/98 only)		

THE METHODIST HOME
Adjustment Report
Cost Report Period Ended November 30, 1996
AC# 3-MHO-L6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	
29	Administration Nonallowable	2,142	2,142
	To adjust accounting and data processing costs to allowable State Plan, Attachment 4.19D (For the periods 5/10/96 - 9/30/97 only)		
30	Cost of Capital (Depreciation Expense) Nonallowable (Residential)	2,633	2,633
	To allocate shared residential administrative depreciation expense to the nursing home HIM-15-1, Section 2304		
1A	<u>Memo Adjustment:</u> To adjust patient days to reflect 97% occupancy for 5/10/96-11/30/96 rate period per State Plan guidelines for a replacement facility. (Increase patient days for 5/10/96-11/30/96 by 8,300 days)		
2A	<u>Memo Adjustment:</u> The State Plan Attachment 4.19D, Section E1, Rate Determination for a Replacement Facility, states no inflation adjustment will be made to the first six months cost.		
	TOTAL ADJUSTMENTS	<u>\$2,513,861</u>	<u>\$2,513,861</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

THE METHODIST HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended November 30, 1996
For the Contract Period May 10, 1996 Through September 30, 1996
AC# 3-MHO-L6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>176</u>
Deemed Asset Value	5,436,464
Improvements Since 1981	-
Accumulated Depreciation at 11/30/96	<u>(89,908)</u>
Deemed Depreciated Value	5,346,556
Market Rate of Return	<u>0.072</u>
Total Annual Return	384,952
Number of Days in Period	<u>205/365</u>
Adjusted Annual Return	216,206
Return Applicable to Non-Reimbursable Cost Centers	(4,425)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>4,045</u>
Allowable Annual Return	215,826
Depreciation Expense	90,559
Amortization Expense	18,742
Capital Related Income Offsets	(32,833)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(8,676)</u>
Allowable Cost of Capital Expense	283,618
Total Patient Days (Minimum 97% Occupancy)	<u>34,998</u>
Cost of Capital Per Diem	\$ <u><u>8.10</u></u>

THE METHODIST HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended November 30, 1996
For the Contract Period May 10, 1996 Through September 30, 1996
AC# 3-MHO-L6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>N/A</u>
Reimbursable Cost of Capital Per Diem	\$8.10
Cost of Capital Per Diem	<u>8.10</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

THE METHODIST HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended November 30, 1996
 For the Contract Periods October 1, 1996 Through September 30, 1997
 AC# 3-MHO-L6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>176</u>
Deemed Asset Value	5,627,248
Improvements Since 1981	-
Accumulated Depreciation at 11/30/96	<u>(89,908)</u>
Deemed Depreciated Value	5,537,340
Market Rate of Return	<u>0.070</u>
Total Annual Return	387,614
Number of Days in Period	<u>205/365</u>
Adjusted Annual Return	217,701
Return Applicable to Non-Reimbursable Cost Centers	(4,456)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>4,045</u>
Allowable Annual Return	217,290
Depreciation Expense	90,559
Amortization Expense	18,742
Capital Related Income Offsets	(32,833)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(8,676)</u>
Allowable Cost of Capital Expense	285,082
Total Patient Days (Minimum 97% Occupancy)	<u>34,998</u>
Cost of Capital Per Diem	\$ <u><u>8.15</u></u>

THE METHODIST HOME

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended November 30, 1996

For the Contract Periods October 1, 1996 Through September 30, 1997

AC# 3-MHO-L6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>N/A</u>
Reimbursable Cost of Capital Per Diem	\$8.15
Cost of Capital Per Diem	<u>8.15</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

THE METHODIST HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended November 30, 1996
 For the Contract Periods October 1, 1997 Through September 30, 1998
 AC# 3-MHO-L6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>176</u>
Deemed Asset Value	5,811,872
Improvements Since 1981	-
Accumulated Depreciation at 11/30/96	<u>(89,908)</u>
Deemed Depreciated Value	5,721,964
Market Rate of Return	<u>0.070</u>
Total Annual Return	400,537
Number of Days in Period	<u>205/365</u>
Adjusted Annual Return	224,959
Return Applicable to Non-Reimbursable Cost Centers	(4,604)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>4,045</u>
Allowable Annual Return	224,400
Depreciation Expense	90,559
Amortization Expense	18,742
Capital Related Income Offsets	(32,833)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(8,676)</u>
Allowable Cost of Capital Expense	292,192
Total Patient Days (Minimum 97% Occupancy)	<u>34,998</u>
Cost of Capital Per Diem	\$ <u><u>8.35</u></u>

THE METHODIST HOME

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended November 30, 1996

For the Contract Periods October 1, 1997 Through September 30, 1998

AC# 3-MHO-L6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>N/A</u>
Reimbursable Cost of Capital Per Diem	\$8.35
Cost of Capital Per Diem	<u>8.35</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>